

Matthew G. Bevin
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Commonwealth of Kentucky
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Daniel E. Logsdon Jr.
Vice Chairman

April 27, 2016

PARTIES OF RECORD

Re: Case No. 2016-00117

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Quang D. Nguyen, Commission Staff Attorney, at (502) 782-2586.

Sincerely,

A handwritten signature in blue ink that reads "Aaron G. Greenwell".

Aaron G. Greenwell
Acting Executive Director

QDN/pa

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Quang D. Nguyen, Staff Attorney 

DATE: April 27, 2016

RE: Case No. 2016-00117
Joint Application of Kenergy Corp. and Big Rivers Electric Corporation for Approval of Contracts

Pursuant to the Commission's Order issued on April 8, 2016, an informal conference was held on April 21, 2016, at the Commission's offices in Frankfort, Kentucky. The purpose of the informal conference was for Big Rivers Electric Corporation ("Big Rivers") and Kenergy Corp. ("Kenergy") to explain certain details of the Wholesale Amendment and the Retail Agreement with Aleris Rolled Products, Inc. ("Aleris"), particularly the economic development rate ("EDR") provisions of those contracts. A list of the attendees is attached hereto.

Mike Chambliss, Big Rivers' Vice President of System Operations, provided a confidential handout which shows, among other things, the input assumptions in calculating the metered demand for each of the four phases of the expanded load of Aleris. The handout also included a spreadsheet modeling of the EDR, showing how the EDR credit for each phase is calculated. A copy of the public version of the handout is attached to this memo. After discussions related to the handout, Commission Staff asked several clarifying questions with respect to the application. In response, Big Rivers and Kenergy stated that approximately \$7 million has been spent on the construction of new transmission facilities and substation, which are needed to serve the expanded Aleris load. Big Rivers also clarified that the expanded Aleris load would be eligible for the MRSM credits applied by Kenergy to its customers. Lastly, in response to a question posed by counsel for the Kentucky Industrial Utility Customers, Inc., Big Rivers stated that the EDR credit, which is a 90 percent discount on the Big Rivers standard Large Industrial Customer ("LIC") tariff demand charge, would increase or decrease in the event the standard LIC tariff demand charge increases or decreases, respectively, during the credit period.

Staff had questions regarding Exhibit C to Mr. Chambliss' pre-filed direct testimony which compared the projected revenues from the Aleris EDR contract to the projected revenues if Big Rivers were to sell the same level of capacity and energy into the Midcontinent Independent System Operator, Inc. wholesale market. Big Rivers requested that it be allowed time to review the analysis in order to provide a definitive

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response. Commission Staff indicated that it would submit the question as part of its data requests to allow Big Rivers reasonable time to respond to the question.

There being no further discussions, the informal conference was adjourned.

Attachments

Aleris EDR: Input Assumptions

	A	B	C	D	E	F	G	H	I	
		Metered Phase Demand	Metered Phase Demand	Metered Phase Demand	Metered Phase Demand	Metered Phase Demand	Max Phase Demand	Cumul Max Phase Demand	Max Contract Demand	
	<u>Source</u>	<u>kW</u>	<u>kW</u>	<u>kW</u>	<u>kW</u>	<u>kW</u>	<u>kW</u>	<u>kW</u>	<u>kW</u>	
1	Base + Other	[Redacted]								
2	Phase I	[Redacted]								
3	Phase II	[Redacted]								
4	Phase III	[Redacted]								
5	Phase IV	[Redacted]								
6	Other Metered kW	[Redacted]								
7	Total	[Redacted]								
8	All Phases	[Redacted]								
9										
10										
11		Credit Period	Credit Period		Full Rate Term	Full Rate Term				
12	<u>Phase</u>	<u>Start</u>	<u>End</u>		<u>Start</u>	<u>End</u>				
13										
14										
15	Phase I	[Redacted]			[Redacted]					
16	Phase II	[Redacted]			[Redacted]					
17	Phase III	[Redacted]			[Redacted]					
18	Phase IV	[Redacted]			[Redacted]					

Aleris EDR: Demand (kW) Model

	A	B	C	D	E	F	G	H	I	J	K	L	
1	Timing												
2		Phase I Credit Period				Phase I Full Rate Term							
3			Phase II Credit Period			Phase II Full Rate Term							
4				Phase III Credit Period		Phase III Full Rate Term		Phase III Full Rate Term					
5				Phase IV Credit Period			Phase IV Full Rate Term					TOTAL	
6	Number of Months												
7	Month/Year Start-End												
8													
9													
10	Maximum Contract Demand (kW)												
11													
12	Base and Phase Demands (kW)												
13	Base												
14	Phase I												
15	Phase II												
16	Phase III												
17	Phase IV												
18	Other Metered kW												
19	Incremental to Base												
20	Total Metered kW												
21													
22	Minimum Contract Demand (kW)												
23	(1) 60% of Maximum Contract Demand												
24	(2) Sum of Phase Demands												
25	A. Base Demand												
26	B. Portion of Phase I increment												
27	C. Portion of Phase II increment												
28	D. Portion of Phase III increment												
29	E. Portion of Phase IV increment												
30	Total												
31	>> Greater of (1) or (2) is												
32	Minimum Contract Demand (kW)												
33													
34	Summary												
35	Maximum Contract Demand (kW)												
36	Base and Phase Demands (kW)												
37	Minimum Contract Demand (kW)												
38													
39	Demand Charges												
40	LIC Demand Charge (per kW)	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715	\$ 10.715
41	LIC Demand EDR Credit (50%)	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644	\$ 9.644
42													
43	EDR Credit												
44	Phase I												
45	Phase II												
46	Phase III												
47	Phase IV												
48	Total												

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